

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 HA-05 AID-05 CIAE-00 COME-00 EB-08

FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-07 CEA-01 MCT-01 ACDA-12 /111 W

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FM AMEMBASSY ASUNCION

TO SECSTATE WASHDC 2733

C O N F I D E N T I A L ASUNCION 1401

E.O. 11652: GDS

TAGS: EFIN, EXIM, SHUM, PA

REF: (A) 77 ASUNCIION 5059 (B) 77 STATE 262596 (C) ASUNCION 0455

(D) ASUNCION 1359

SUMMARY. EMBASSY NOTES THE ISSUANCE OF LETTERS OF PRELIMINARY COMMITMENT BY THE EXIM BANK TO FINANCE SALE OF AMERICAN EQUIPMENT FOR THE MODERNIZATION AND EXPANSION OF THE AIRPORT IN ASUNCION AND ALSO A STATEMENT OF EXIM'S POSITION ON HUMAN RIGHTS CONSIDERATIONS IN THE APPROVAL OF LOANS. WE WOULD CONCUR WITH EXIM'S DECISION IN THESE LOANS BUT WOULD CAUTION THAT DEPARTMENT AND EXIM NEED TO REVIEW CAREFULLY ANY FINANCING OF DC-8 AIRCRAFT IN VIEW OF PRESIDENT CARTER'S LETTER TO PRESIDENT STROESSNER IN NOVEMBER. WE BELIEVE THAT GRANTING OF OTHER EXIM CREDITS IS PROPER AND WILL NOT BE MISINTERPRETED OR VIEWED BY PARAGUAYANS AS INCONSISTENT WITH OUR POLICY OF LINKING MULTILATERAL AND U.S. ASSISTANCE TO HUMAN RIGHTS. END SUMMARY.

1. THE EMBASSY HAS RECENTLY RECEIVED CERTAIN MATERIALS RELATIVE TO EXIM LOANS THAT PROMPT US TO OFFER SOME COMMENTS ON EXIM-FINANCING AND HUMAN RIGHTS. THE FIRST ITEM WAS A Q&A ON THE SUBJECT OF HUMAN RIGHTS CONSIDERATIONS SUBMITTED BY THE EXIM BANK TO THE HOUSE SUB-COMMITTEE ON INTERNATIONAL TRADE, INVEST-  
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MENT, AND MONETARY POLICY FOR A HEARING ON MARCH 13. EXIM'S STATEMENT REFERS TO THE HUMAN RIGHTS DIRECTIVE ADDED TO ITS CHARTER AND AFFIRMS THAT BEFORE THE BOARD OF EXIM ACTS ON ANY LOAN OR GUARANTEE IT RECEIVES A HUMAN RIGHTS CLEARANCE FROM THE STATE DEPARTMENT. THE BANK'S BOARD RESERVES TO ITSELF HOWEVER THE FINAL DECISION ON WHETHER OR NOT TO APPROVE TRANS-ACTIONS.

2. WE HAVE ALSO RECEIVED THREE EXIM PRELIMINARY COMMITMENT LETTERS DATED MARCH 15 FOR CREDITS TO FINANCE U.S. COMMUNICATION AND NAVIGATION EQUIPMENT TO BE USED IN MODERNIZING AND EXPANDING ASUNCION'S INTERNATIONAL AIRPORT. WE ASSUME THAT THERE WERE CONSULTATIONS WITH STATE BEFORE ISSUANCE OF THESE PRELIMINARY COMMITMENTS. UNDER PRESENT CIRCUMSTANCES, EMBASSY WOULD ENDORSE THE EXIM BOARD DECISION TO GO AHEAD WITH FINANCING U.S. EQUIPMENT SALES IN PARAGUAY. ONE EXCEPTION WOULD BE THE PROPOSED SALE OF TWO DC-8S TO PARAGUAY'S NATIONAL AIRLINE. PRESIDENT CARTER IN HIS LETTER TO PRESIDENT STROESSNER IN NOVEMBER SPECIFICALLY MENTIONED HUMAN RIGHTS CONSIDERATIONS AS A FACTOR IN THE EXIM BANK'S DECISION-MAKING ON THE DC-8S. REFTEL (D) PRESENTED AMBASSADOR'S VIEWS ON SOME POSITIVE MOVES IN HUMAN RIGHTS WHICH MAY PRESAGE SETTING DATE FOR RECEIVING IAHC. APPROVAL OF EXIM CREDITS FOR DC-8 SALE SHOULD BE GIVEN IN RESPONSE TO GOP RECEPTION OF IAHC.

3. HOWEVER, EXCEPT FOR THE DC-8 SALE, WE DO NOT THINK THAT WE NOW NEED TO USE THE WITHHOLDING OF EXIM FINANCING AS A LEVER TO SECURE IMPROVEMENT IN THE HUMAN RIGHTS SITUATION IN PARAGUAY. FOR THE MOMENT U.S. ACTION SHOULD BE LIMITED TO OPPOSITION TO MULTILATERAL ASSISTANCE AND THE DENIAL OF NEW U.S. ASSISTANCE. EMBASSY DOES NOT THINK THAT THERE IS A DANGER IN EXIM-FINANCIN DILUTING THE IMPACT OF OUR ACTIONS IN THESE OTHER AREAS OR MISLEADING PARAGUAYANS INTO THINKING CONFIDENTIAL

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THAT SUCH FINANCING IS SUPPORTIVE OF THE REGIME. SERIOUS OBSERVERS WOULD TAKE SUCH LOANS FOR WHAT THEY ARE--STRAIGHT COMMERCIAL PROPOSITIONS.

4. FURTHERMOR, IN THE CASE OF NAVAIDS AND COMMUNICATIONS EQUIPMENT FOR THE W ASUNCION AIRPORT, THE NEED FOR A MOERN, RELIABLE AND SAFE AIRPORT FACILITY SHOULD BE THE OVERRIDING CONSIDERATION.

5. REFTEL (A) SUMMARIZES THE PRESENT ECONOMIC SITUATION IN PARAGUAY--AN ECONOMY IN THE EARLY STAGES OF A BOOM AFTER DECADES OF STAGNATION. THIS BURGEONING ECONOMY, BASED ON DEVELOPMENT OF THE COUNTRY'S GREAT HYDROELECTRIC POTENTIAL AND THE DIVERSIFICATION OF EXPORTS, WILL PROVIDE CONSIDERABLE OPPORTUNITY FOR SALES OF EQUIPMENT OVER THE NEXT FEW YEARS AND WE WANT THE U.S. TO GET A GOOD SHARE OF THOSE SALES.  
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## Message Attributes

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